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ADDRESS BY MAX BAUCUS
BEFORE THE MISSOULA KIWANIS

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OCTOBER 19, 1976

THANK YOU FOR INVITING ME TO SPEAK THIS AFTERNOON. I HOPE MY COMMENTS WILL BETTER ACQUAINT YOU WITH THE WORK I HAVE BEEN DOING THESE PAST TWO YEARS IN WASHINGTON. ACTUALLY, IT'S HARD TO BELIEVE THAT MY FIRST TERM AS YOUR REPRESENTATIVE IS NEARLY OVER.

MOST OF YOU REPRESENT SOME ASPECT OF MISSOULA'S BUSINESS COMMUNITY. MY REMARKS, THEREFORE, WILL CENTER AROUND AREAS OF CONCERN TO MONTANA BUSINESSES.

WHAT IS THE HEALTH OF SMALL BUSINESS IN MONTANA? WHAT HAVE I DONE TO ASSIST SMALL BUSINESSES IN OUR DEPRESSED ECONOMY?

ON A LARGER SCALE, I WOULD LIKE TO DISCUSS THE NATIONAL ECONOMY AS IT AFFECT ALL OF US -- AS INDIVIDUALS AND AS BUSINESSES. I WILL ALSO TOUCH UPON THE BUDGET, FEDERAL SPENDING, AND THE EFFORT BEING MADE TO DEAL WITH THESE ISSUES.

MONTANA'S BUSINESSMEN MUST HANDLE THE VAST ARRAY OF FEDERAL REGULATIONS AND PAPERWORK. THE DEMANDS MADE ON THEM ARE AS GREAT AS THOSE MADE ON BIG BUSINESSES AND CORPORATIONS. YET, DUE TO SIZE, SMALL BUSINESSES ARE UNABLE TO HIRE EXPERTS WHO HAVE YEARS OF EXPERIENCE IN DEALING WITH THESE REGULATIONS, AND WHO CAN MAKE THIS ASPECT OF BUSINESS AS PAINLESS AS POSSIBLE.

I CAN UNDERSTAND THE PROBLEMS WHICH MANY OF YOU ENCOUNTER WHEN YOU COME UP AGAINST THESE GOVERNMENT REQUIREMENTS.

IN AN ATTEMPT TO BRING TOGETHER THE BUSINESSMEN WHO MUST DEAL WITH THESE REGULATIONS AND THE GOVERNMENT AGENCIES WHICH MAKE THEM, I RECENTLY HELD TWO SMALL BUSINESS CONFERENCES. OVER 5,000 MONTANA BUSINESSMEN WERE INVITED TO THESE CONFERENCES.

THE SEVERAL HUNDRED OF THESE BUSINESSMEN WHO ATTENDED THE CONFERENCE MET FACE TO FACE WITH OFFICIALS FROM OVER 15 AGENCIES WHICH WRITE THE REGULATIONS AFFECTING SMALL BUSINESS. I THINK ALL WHO WERE PRESENT WOULD AGREE THAT THESE CONFERENCES WERE A GREAT SUCCESS, BOTH FOR THE BUSINESSMEN AND THE AGENCIES AS WELL. WITH MORE DIRECT COMMUNICATION BETWEEN THESE TWO GROUPS, I WOULD NOT BE SURPRISED IF THE BURDEN WHICH BUSINESSES FEEL IN DEALING WITH THESE VARIOUS REQUIREMENTS WAS EASED.

ANOTHER AREA OF GREAT CONCERN TO YOU, AS OWNERS OF YOUR OWN SMALL BUSINESSES, IS THE OPERATION OF THE FEDERAL ESTATE AND GIFT TAX SYSTEM. THE EXEMPTION OF \$60,000 FOR ESTATE TAX WHICH WAS IN EFFECT UNTIL JUST RECENTLY AND WHICH WAS SET A FULL 34 YEARS AGO, WAS ENTIRELY TOO LOW. IT DID NOT PROTECT THE TRANSFER OF PROPERTY FROM PARENT TO CHILD, WHICH IS NEEDED FOR THE PRESERVATION OF FAMILY-OWNED BUSINESSES. TO PUT IT BLUNTLY, THE LOW EXEMPTION THREATENED THE ECONOMIC AND FAMILY STABILITY OF OUR STATE. DURING THE PAST TWO YEARS, I HAVE WORKED HARD TO RAISE THE EXEMPTION. THIS EXEMPTION WAS FINALLY CHANGED THIS WEEK WHEN THE PRESIDENT SIGNED A MUCH-NEEDED TAX REFORM ACT OF 1976.

NOW, RATHER THAN A \$60,000 EXEMPTION, THERE IS A TAX CREDIT WHICH IS EQUIVALENT TO AN EXEMPTION APPROACHING \$175,000, OR NEARLY A 300% INCREASE. I FEEL THAT THIS IS A PARTICULARLY IMPORTANT CHANGE, ESPECIALLY IF WE DESIRE TO KEEP SMALL FARMS, RANCHES AND BUSINESSES WITHIN FAMILIES, AND TO THWART THE INCREASING RISE OF GIANT CORPORATIONS AND BUSINESSES.

WE CAN HARDLY IGNORE THE ECONOMIC SITUATION OF THE NATION AS A WHOLE WHEN WE SPEAK OF THE CONCERNS OF SMALL BUSINESS.

THE PRESENT DEMOCRATIC CONGRESS HAS OFTEN BEEN LABELED AS UNFIT TO DEAL WITH OUR SERIOUS ECONOMIC PROBLEMS.

I TAKE ISSUE WITH THAT CLAIM AND WOULD LIKE TO DESCRIBE FOR YOU THE MANY POSITIVE CHANGES CONGRESS MADE TO DEVELOP A SYSTEM OF FEDERAL SPENDING WHICH IS RATIONAL, CONTROLLED AND SERVES THE REAL NEEDS OF AMERICANS.

CONGRESS IS ENGAGED IN A HISTORIC EFFORT TO CONTROL THE FEDERAL "PURSE STRINGS". THE CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT OF 1974 EQUIPPED CONGRESS FOR THE FIRST TIME WITH THE INSTITUTIONS AND PROCEDURES NEEDED TO ASSERT EFFECTIVE CONTROL OVER FEDERAL BUDGET POLICY. CONGRESS NOW OPERATES UNDER A TIMETABLE AND A PROCEDURE WHICH ALLOWS IT TO MAKE COMPREHENSIVE BUDGET AND ECONOMIC DECISIONS.

THE MAJOR DIFFERENCE BETWEEN THE CONGRESSIONAL BUDGET AND THAT OF THE PRESIDENT IS SIMPLY ONE OF PRIORITIES. IT USED TO BE EASY FOR A PRESIDENT TO UNDERESTIMATE ITEMS IN HIS BUDGET AND THEN TO BLAME CONGRESS FOR OVERSPENDING LATER IN THE YEAR. HOWEVER, THE NEW BUDGET PROCESS HAS FORCED THE PRESIDENT TO BE HONEST IN HIS ESTIMATES OF THE COST OF PROGRAMS.

THE PRESIDENT FOUND THIS OUT THE HARD WAY THIS YEAR WHEN HE SENT US A BUDGET THAT HE LATER REVISED UPWARDS BY A FULL \$24 BILLION TO ACCOUNT FOR FAULTY SPENDING ESTIMATES.

I OFTEN READ IN THE PAPER THAT CONGRESS IS THE BIG SPENDER AND THE PRESIDENT IS THE BIG SAVER. BEFORE SWALLOWING THE RHETORIC, LET'S TAKE A LOOK AT THE FACTS. FOR THE PAST TWO YEARS, PRESIDENT FORD REQUESTED A BUDGET OF \$489 BILLION. THE HOUSE OF REPRESENTATIVES APPROPRIATED ONLY \$479 BILLION, OR \$10 BILLION BELOW THE PRESIDENT'S REQUEST. PERSONALLY, I VOTED TO DECREASE THE BUDGET A FULL \$12 BILLION BELOW FORD'S REQUEST, WITH THE HOUSE AGREEING WITH ME ON ALL BUT \$2 BILLION OF THIS. ALSO, I HAVE VOTED AGAINST MORE THAN \$100 BILLION IN APPROPRIATIONS, INCLUDING \$9.8 BILLION FOR FOREIGN AID.

THE BUDGET REFORM ACT HAS SET US IN THE RIGHT DIRECTION FOR MEANINGFUL CONTROLLED FEDERAL SPENDING, BUT THERE ARE AREAS WHICH I SEE AS RIPE FOR FURTHER REFORM.

AS A MEMBER OF THE APPROPRIATIONS COMMITTEE, I FIND IT PARTICULARLY FRUSTRATING TO BE CONFRONTED EACH YEAR WITH HUNDREDS OF DIFFERENT AGENCIES SEEKING FUNDING. THIS IS PARTICULARLY TRUE WHEN THESE AGENCIES ASSUME THAT THEIR SPENDING BASE IS SACRED, AND THAT THE ONLY APPROPRIATE ISSUES FACING THE COMMITTEE IS HOW MUCH MORE MONEY THOSE AGENCIES ARE TO RECEIVE.

THERE ARE TWO MEASURES WHICH WOULD HELP BOTH THE APPROPRIATIONS COMMITTEE AND THE CONGRESS AS A WHOLE IN FUNDING THESE AGENCIES. IF BUDGETING TOOK PLACE OVER A LONGER PERIOD OF TIME, WE IN CONGRESS WOULD BE ABLE TO

EXAMINE OUR NATION'S LONG-RANGE NEEDS ALONG WITH THE NEEDS OF THE DIFFERENT AGENCIES. PERHAPS WE SHOULD EXTEND FUNDING PERIODS TO TWO YEARS, AND THUS ALLOW THE COMMITTEE TO DOUBLE THE TIME IT SPENDS IN CONSIDERING A SPECIFIC FUNDING REQUEST.

ALONG WITH THIS, WE SHOULD INSTITUTE A SYSTEM OF ZERO-BASED BUDGETING. THIS MEANS THAT AGENCIES WOULD START FROM ZERO, AND JUSTIFY EVERY EXPENSE IN THEIR BUDGET. AT PRESENT, ONLY INCREASES IN THE BUDGET RECEIVE THE TYPE OF SCRUTINY THAT I FEEL IS NEEDED FOR THE ENTIRE BUDGET.

WITHIN THE AREA OF CLOSER SCRUTINY OF THE FEDERAL AGENCIES, I SEE GREAT PROMISE FOR WHAT HAS COME TO BE CALLED "SELF-DESTRUCT" PROVISIONS. IN OTHER WORDS, AGENCIES WOULD BE "CHARTERED" FOR A SET NUMBER OF YEARS. WHEN THAT TIME EXPIRES, THEY WOULD HAVE TO COME BEFORE CONGRESS AND JUSTIFY THEIR CONTINUED EXISTANCE. SELF-DESTRUCT MECHANISMS INSURE CLOSER EVALUATION OF AGENCIES, AND PROVIDE FOR A SIMPLE ELIMINATION OF THOSE AGENCIES WHICH ARE DEEMED UNNEEDED OR INEFFICIENT.

THERE HAS BEEN MUCH DISCUSSION OF OUR NATIONAL DEFICIT LATELY. TO DEAL WITH THE DEFICIT, I PROPOSE THAT CONGRESS ADOPT LEGISLATION WHICH WOULD REQUIRE THE CONGRESS TO VOTE A SURPLUS BUDGET WHENEVER NATIONAL UNEMPLOYMENT DROPS BELOW 4.5 PERCENT. THUS, IN TIMES OF PROSPERITY WE WOULD BE PLANNING AHEAD FOR PERIODS, LIKE THE PAST FEW YEARS, WHEN INCREASED FEDERAL SPENDING IS NEEDED TO BOUY A SAGGING ECONOMY.

THIS ENDS MY STORY ABOUT THE ROLE OF FEDERAL GOVERNMENT
AND SMALL BUSINESSES. IT'S MAINLY AN ECONOMIC STORY. BUT
THAT, OF COURSE, IS THE GUTS OF BUSINESS. FOR, WITHOUT A
HEALTHY NATIONAL ECONOMY, MONTANA'S BUSINESSES WILL NOT FARE
WELL.

THANKS AGAIN FOR INVITING ME TODAY; IT'S ALWAYS GREAT
TO GET TO ^{MISSOULA} ~~PORE~~ AND TALK WITH YOU.

WELL, I'M READY FOR YOUR QUESTIONS.